



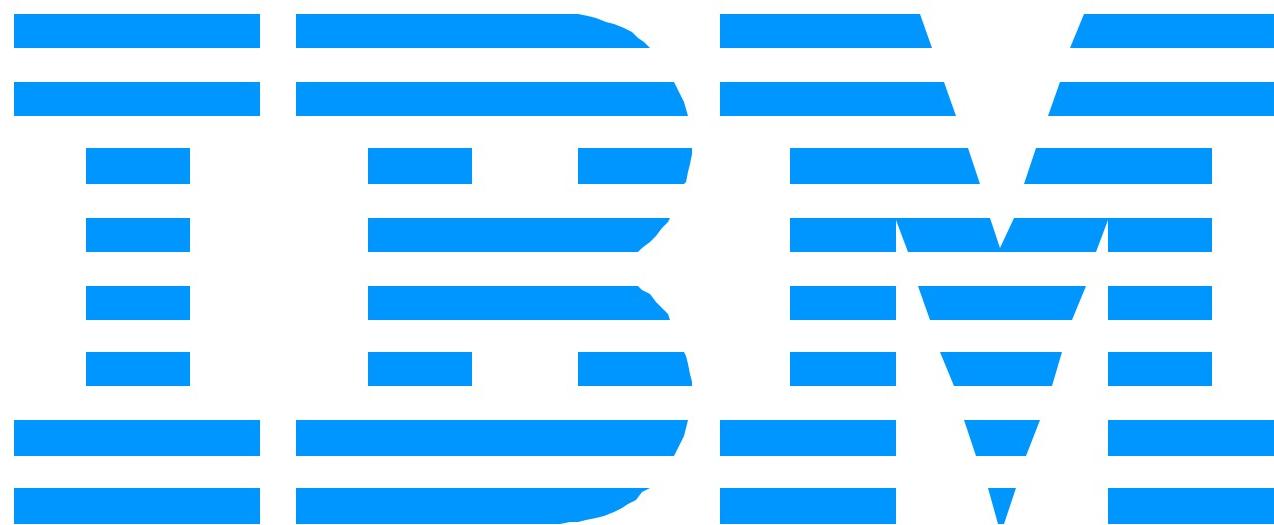
IBM 1Q 2002 Earnings Presentation

April 2002

Certain comments made in this presentation may be characterized as forward looking under the Private Securities Litigation Reform Act of 1995.

Those statements involve a number of factors that could cause actual results to differ materially.

Additional information concerning these factors is contained in the Company's filing with the SEC. Copies are available from the SEC, from the IBM web site, or from IBM Investor Relations.



IBM 1Q 2002 GEOGRAPHIC REVENUE

(\$B)	<u>B/(W)</u>			<u>% of Rev</u>
	<u>1Q02</u>	<u>Rptd</u>	<u>@CC</u>	
Americas	8.1	(9%)	(8%)	44%
Europe/ME/A	5.1	(8%)	(4%)	28%
Asia Pacific	3.9	(9%)	(3%)	21%
OEM	1.3	(37%)	(37%)	7%
IBM	18.6*	(12%)	(9%)	100%

* Rounding

IBM 1Q 2002 REVENUE

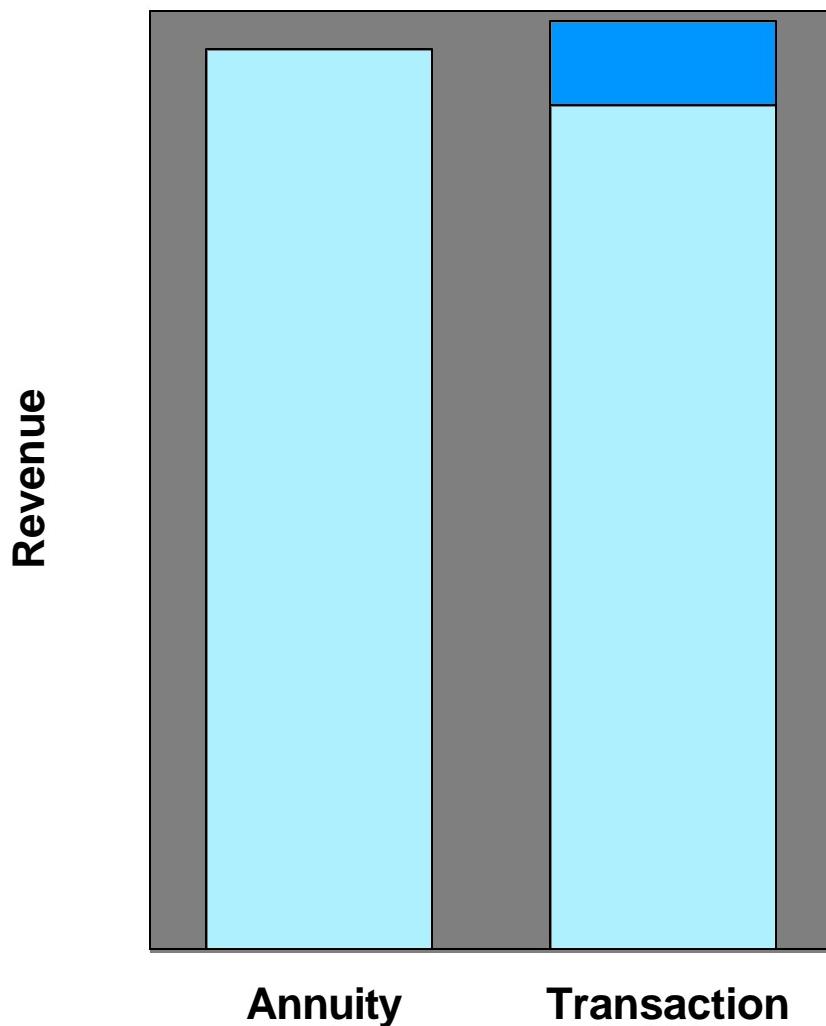
(\$B)	<u>1Q02</u>	<u>B/(W)</u>	<u>Yr/Yr</u>	<u>% of Rev</u>
	Rptd	@CC		
Global Services	8.2	(3%)	1%	44%
Hardware	6.4	(25%)	(23%)	35%
Software	2.9	(1%)	3%	16%
Global Financing	0.8	(6%)	(3%)	4%
Enterprise Inv. / Other	0.2	(14%)	(10%)	1%
IBM	18.6*	(12%)	(9%)	100%

* Rounding

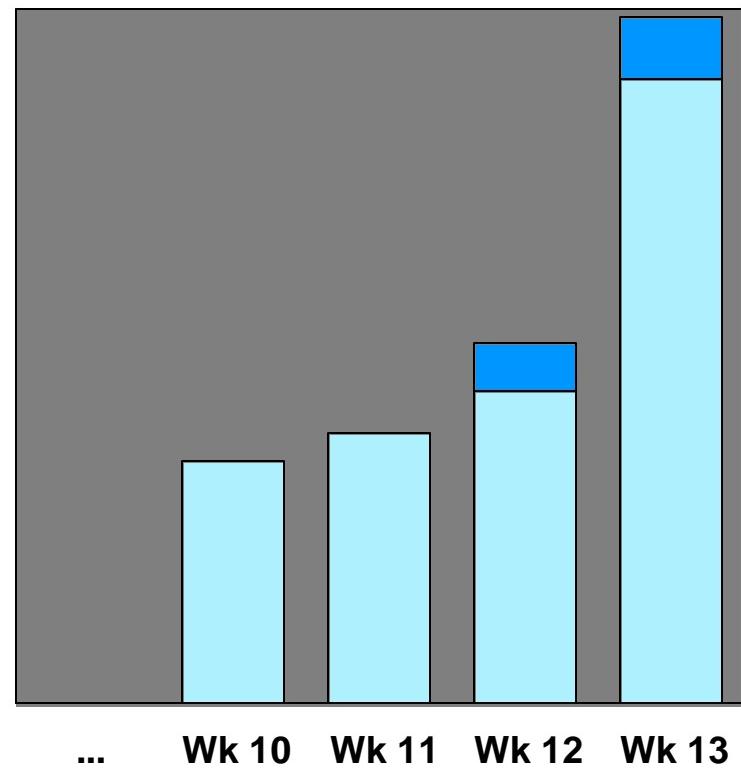
IBM 1Q 2002 REVENUE

CUSTOMER DEFERRALS LATE IN THE QUARTER

IBM Revenue Portfolio



Cumulative Orders by Week
Typical Transaction-Based Product



IBM 1Q 2002 GROSS PROFIT MARGIN

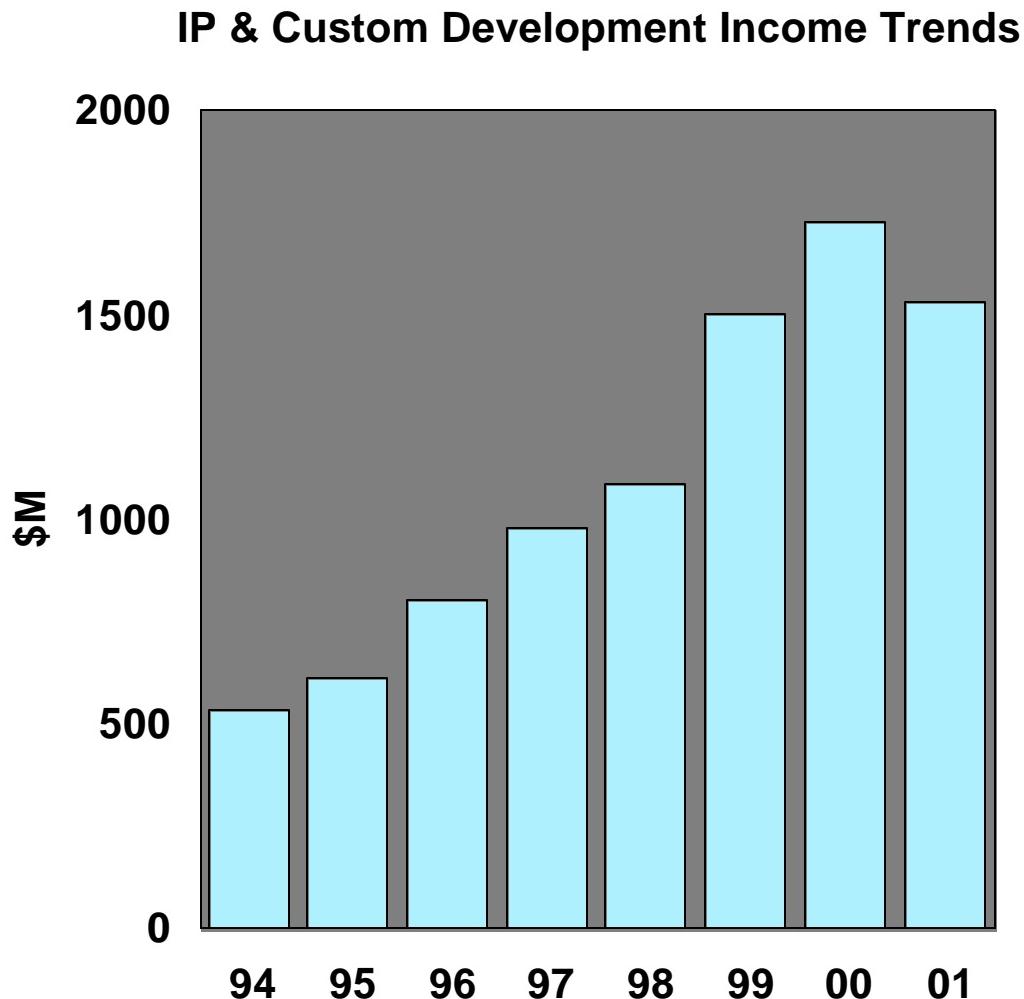
	<u>1Q02</u>	<u>B/(W)</u>	<u>Yr/Yr</u>
Global Services	26.0%	0.5 pts	
Hardware	21.5%	(8.7 pts)	
Software	81.1%	0.9 pts	
Global Financing	56.6%	9.3 pts	
Enterprise Inv./Other	56.2%	6.7 pts	
IBM	34.7%	(1.4 pts)	

IBM 1Q 2002 EXPENSE SUMMARY

(\$B)	<u>1Q02</u>	\$	<u>B/(W)</u>	<u>Yr/Yr</u>
		%		
SG&A	4.1	.07	2%	
RD&E	1.2	.08	6%	
IP and Custom Dev. Income	(0.3)	.06		
Other Income and Expense	(0.2)	.13		
Interest Expense	--	.04		
 Total Expense and Other Income	 4.7*	 .4	 7%	
E/R%	25.6%		(1.3 pts)	

* Rounding

Intellectual Property (IP) & Custom Development Income is part of our ongoing business



- We spend \$5.5B a year on R&D
 - 37,000 worldwide patents
 - Most patents granted for 9 consecutive years
- Not all R&D results in end-user products, but we still look to generate a return for shareholders
- Separate organization responsible for optimizing IP income through opportunity identification and management

IBM CASH FLOW

(\$B)	<u>1Q01</u>	<u>FY01</u>	<u>1Q02</u>
Net Income	1.7	7.7	1.2
Depreciation/Amortization	1.2	4.8	1.2
Working Capital / Other	(3.0)	0.4	(2.0)
Total Operating Sources	--	12.9	0.3
Capital Expenditures, Net	(1.4)	(5.1)	(1.3)
Other Operating Uses	(0.1)	(0.4)	--
Total Operating Uses	(1.5)	(5.5)	(1.3)
Free Cash Flow	(1.6)	7.4	(1.0)
Dividends	(0.2)	(1.0)	(0.2)
Acquisitions	--	(0.9)	(0.1)
Share Repurchase	(1.3)	(5.3)	(1.8)
Other	0.5	1.1	0.3
Global Financing Assets*	1.8	1.8	2.3
Total Debt	0.9	(0.5)	(2.0)
Net Cash Flow	0.1	2.7	(2.4)

* Excludes Fixed Assets

IBM BALANCE SHEET

(\$B)	Mar 2001	Dec 2001	Mar 2002
Cash	3.9	6.4	4.0
Core Assets*	44.9	46.0	46.1
Global Fin. Assets*	36.1	35.9	33.0
Total Assets	84.8	88.3	83.1
Other Liabilities	34.5	37.5	35.1
Core Debt	1.8	1.6	0.5
Global Fin. Debt	27.1	25.5	24.4
Total Debt	28.8	27.2	24.9
Total Liabilities	63.3	64.7	60.0
Equity	21.5	23.6	23.1
Core Debt/Cap	9%	7%	3%
Global Fin. Leverage	6.8	6.8	6.6

*Excluding Cash

GLOBAL SERVICES

Revenue \$8.2B, +1% @CC

Services	+1%
Maintenance	+3%

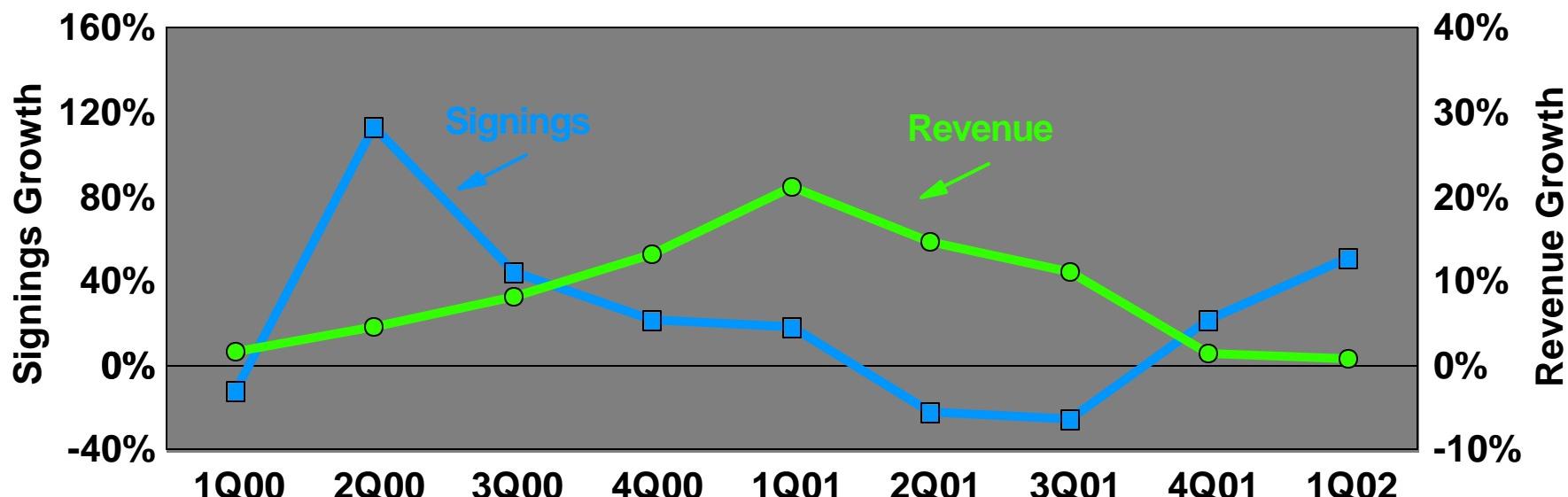
Signings	\$ 15B
Backlog	\$108B

■ Strongest 1Q signings ever - up 50% yr/yr

- 10 deals of over \$100M
- of which 2 deals greater than \$1B
- Pipeline remains strong

■ Improved yr/yr profit margin

■ Services signings growth precedes revenue growth



eServers AND STORAGE

Revenue \$2.5B, -19% yr/yr @CC

■ Marketplace dynamics

- ▶ Elongated sell cycle
- ▶ Competitive pricing

■ zSeries: Revenue down 20% @CC

- ▶ MIPS down 4%
- ▶ Customers squeezing high-end server capacity

■ pSeries: Revenue down 24% @CC

- ▶ Midrange Regatta available

■ iSeries: Revenue down 35% @CC

- ▶ New high-end Power4

■ xSeries: Revenue down 3% @CC

- ▶ Gaining momentum with new high-end servers
- ▶ Lintel encroaching on low-end UNIX

■ Storage: Revenue down 17% @CC

- ▶ Disk storage down 12%, gaining share
- ▶ Networking strength

PERSONAL AND PRINTING SYSTEMS

Revenue \$2.5B, -19% @CC

- Segment profitable

- Benefit from Sanmina-SCI

- Improved PC operational efficiency

- Inventory down approximately 40% yr/yr
 - Expenses down >20% yr/yr
 - Channel inventory down over \$250M yr/yr

- Continuing product innovation

- Security and wireless innovations

TECHNOLOGY

Revenue \$1.3B, -37% @CC

■ OEM Microelectronics

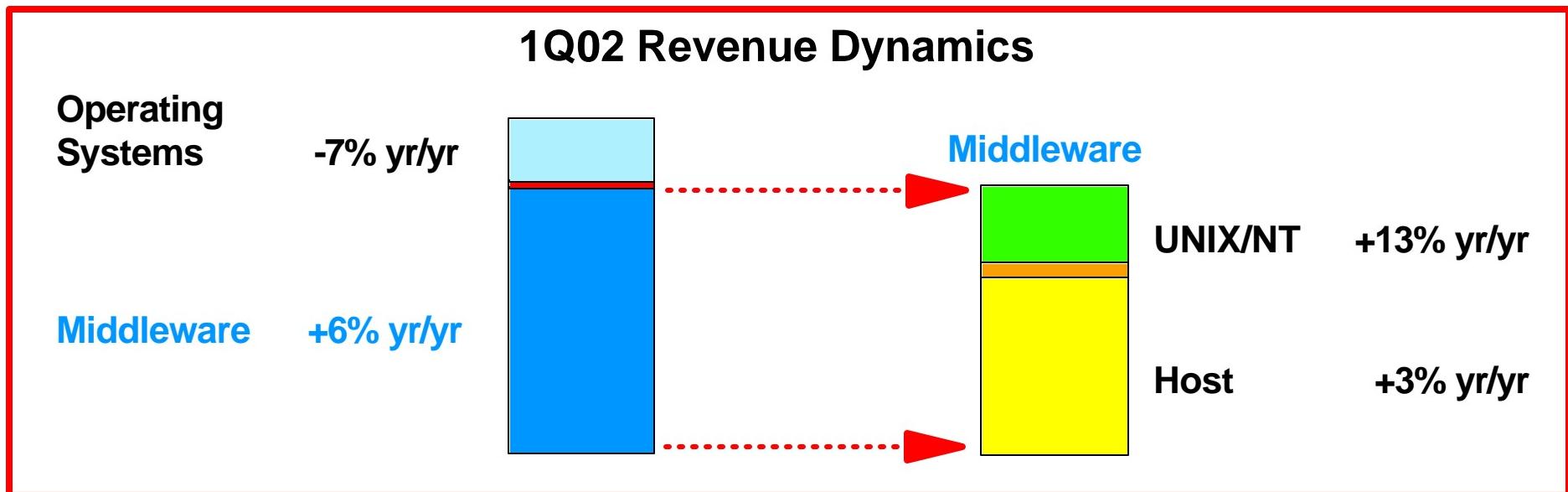
- Down 42% yr/yr
- Customer inventory at appropriate levels
- Industry shifting to our strength

■ OEM Storage

- Revenue down 29% yr/yr
- New drives in volume shipment
 - Over 70% of 1Q revenue from new drives

SOFTWARE

Revenue \$2.9B, +3% @CC



- Customers delayed purchase decisions
- Expected share gains
 - WebSphere
 - DB2
- Tivoli turnaround continued
- Continued execution of ISV alliance strategy
 - 8 new alliances signed
 - 82 in total

IBM'S HISTORICAL PERFORMANCE

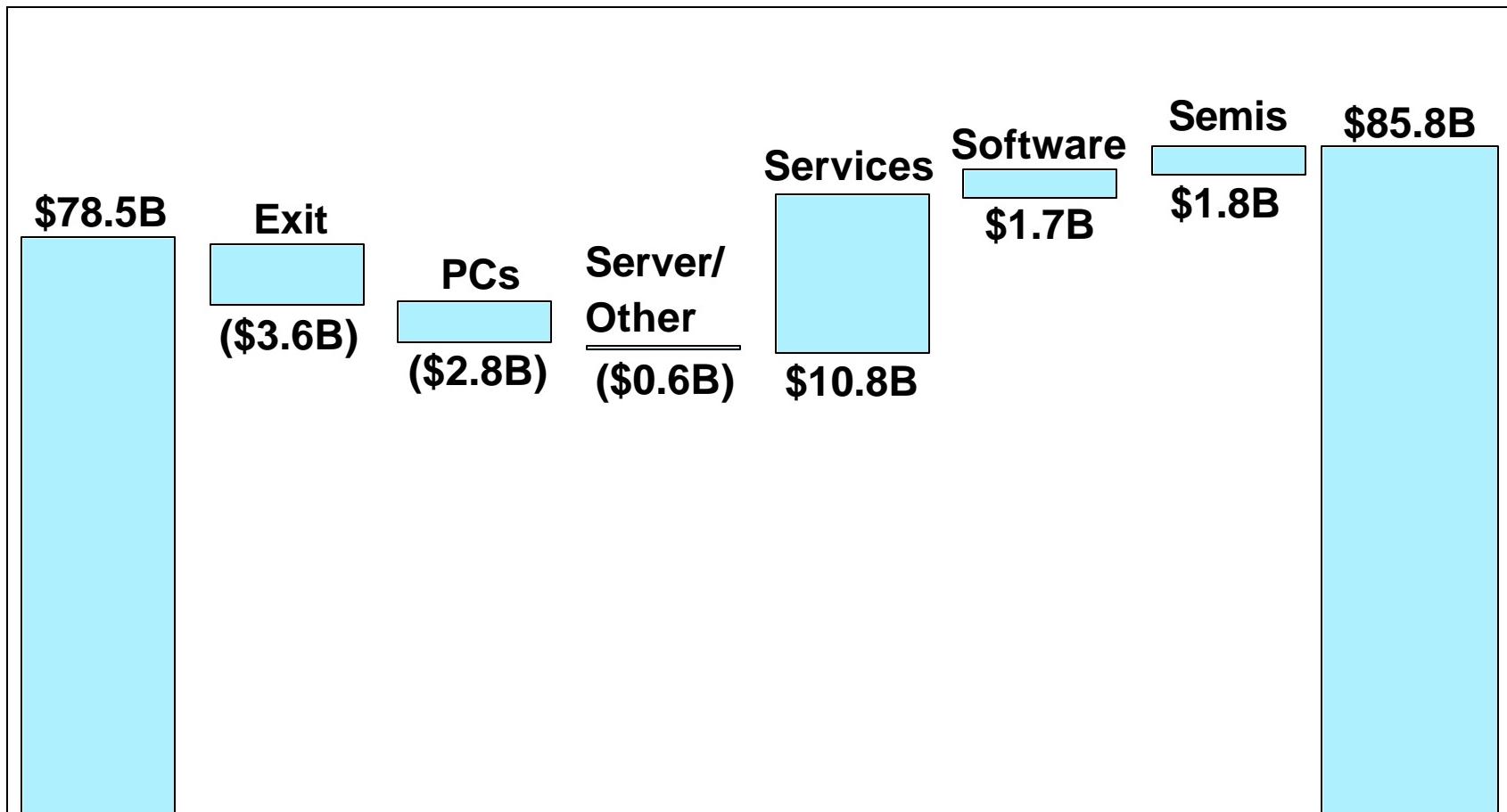
■ EPS Growth Drivers

■ Re-mix of IBM Portfolio

■ IBM vs. Industry Profits

Our growth has come from the most profitable areas

IBM'S REVENUE GROWTH 1997 - 2001



1997

2001

% Svcs
& SW

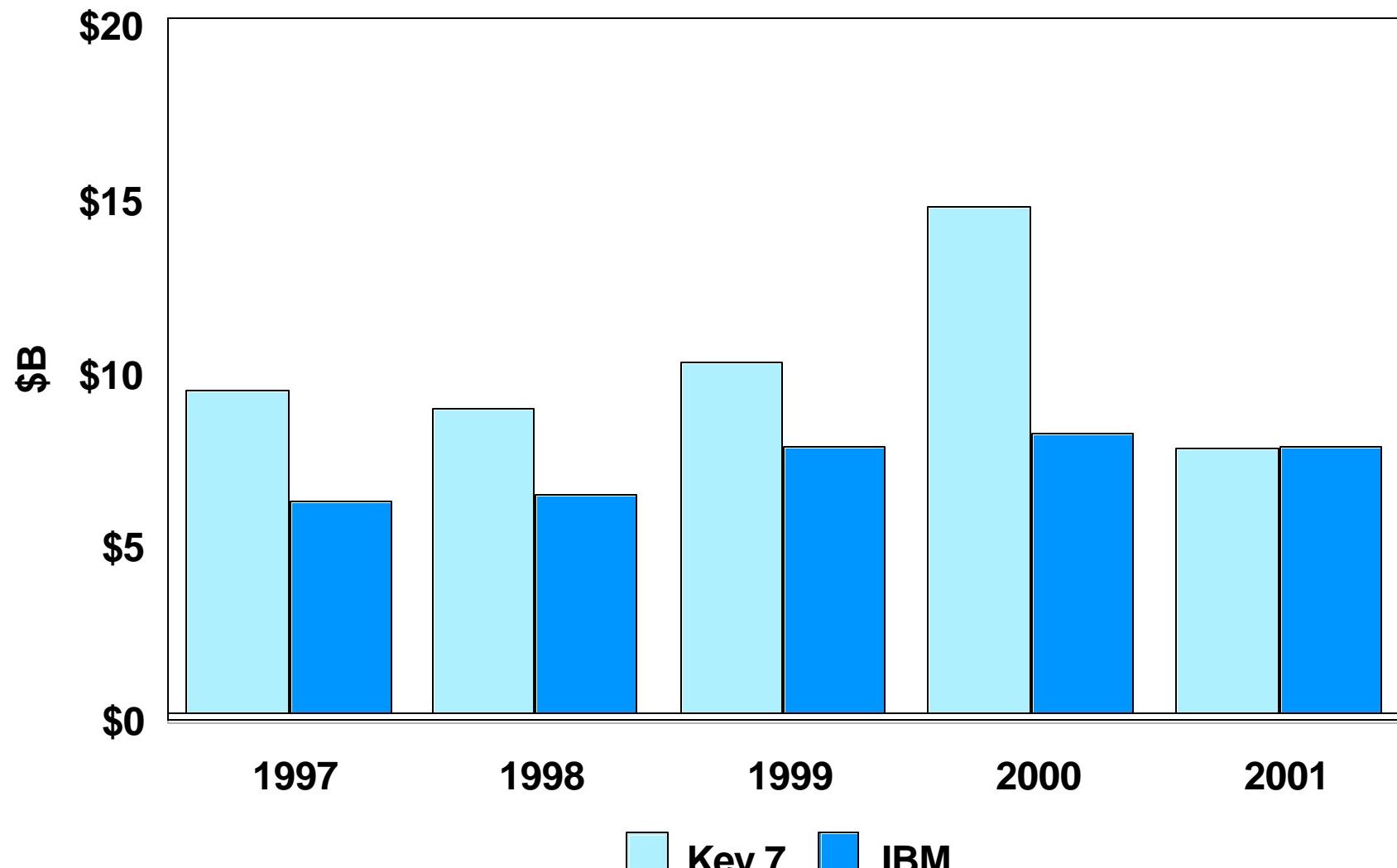
46%



56%

Our share of profits has increased

NET INCOME: IBM VERSUS 7 KEY COMPETITORS

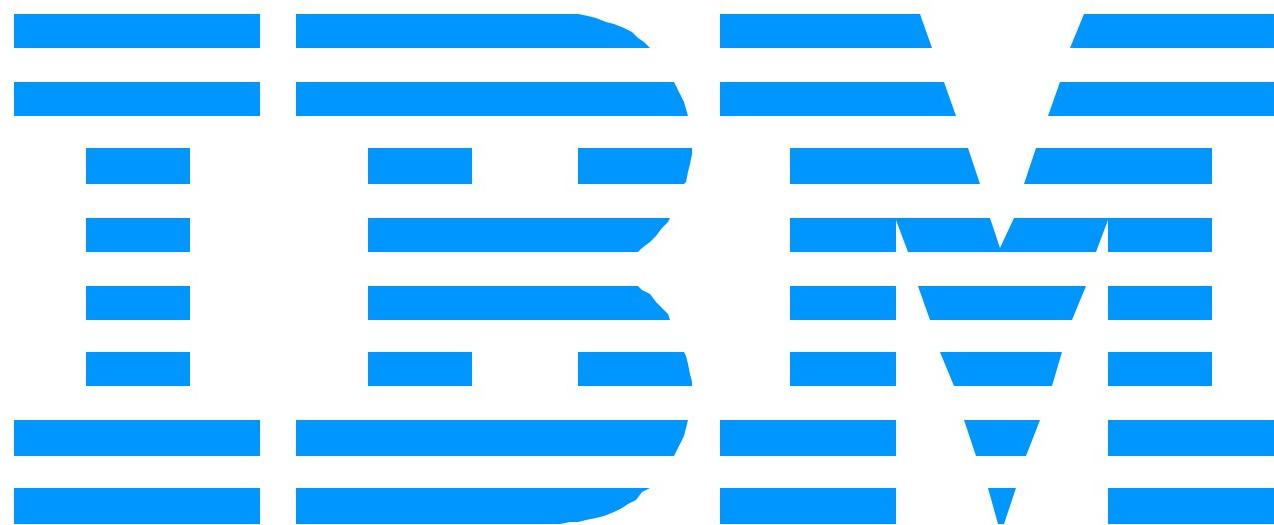


IBM % Share
of Profits

40%

Key 7 IBM

50%



IBM 1Q 2002 RESULTS

	<u>1Q02</u>	<u>B/(W)</u>	<u>Yr/Yr</u>
(\$B)			
Revenue - as reported @CC	18.6	(12%)	(9%)
GP%	34.7%	(1.4 pts)	
E/R%	25.6%	(1.3 pts)	
Pre-tax Income	1.7	(32%)	
Pre-tax Income Margin	9.1%	(2.7 pts)	
Tax Rate%	29.5%	0.2 pts	
Net Income	1.2	(32%)	
Net Income Margin	6.4%	(1.9 pts)	
Average Shares - Diluted (M)	1753.0	1.6%	
EPS - Diluted	\$0.68	(31%)	

CURRENCY: YEAR-TO-YEAR COMPARISON

QUARTERLY AVERAGES PER US\$

	<u>1Q02</u>	<u>4/16 Spot</u>	<u>@ 4/16 Spot</u>		
Euro	1.14	1.14	2Q02	3Q02	4Q02
Yr/Yr	-5%		1%	-1%	-2%
Pound	0.70	0.70			
Yr/Yr	-2%		1%	0%	-0%
Yen	132	131			
Yr/Yr	-12%		-7%	-8%	-6%
Negative IBM Rev. Impact	3 pts		1-2 pts	2-3 pts	2-3 pts

Negative Yr/Yr growth signifies a translation hurt

IBM 2001 EXPENSE SUMMARY

(\$B)

	<u>1Q01</u>	<u>2Q01</u>	<u>3Q01</u>	<u>4Q01</u>
SG&A	4.1	4.2	4.1	4.8
RD&E	1.3	1.4	1.3	1.3
IP and Custom Dev. Income	(0.3)	(0.4)	(0.4)	(0.5)
Other Income and Expense	(0.1)	(0.1)	--	(0.2)
Interest Expense	0.1	0.1	0.1	0.1
 Total Expense and Other Income	 5.1	 5.1*	 5.1	 5.4*
E/R%	24.3%	23.8%	25.1%	23.9%

* Rounding